

FUND OBJECTIVE

To achieve medium to long term capital appreciation through investments primarily in Malaysian bonds.

FUND DETAILS

Launch Date	20 October 2008	Domicile	Malaysia
Currency	Ringgit Malaysia	Launch Price	RM1.0000
Units in Circulation	31.54 million units (30 September 2019)	Fund Size	RM44.89 million (30 September 2019)
Unit NAV	RM1.4233 (30 September 2019)	Dealing	Daily (as per Bursa Malaysia trading day)
Fund Manager	Principal Asset Management Bhd	Benchmark	12 month FD
Taxation	8% of annual investment income	Fees	Management Fee: 1.0% p.a.
Risk Profile	Suitable for investors: <ul style="list-style-type: none"> ▪ Have a medium to long term investment horizon ▪ Want a diversified portfolio of fixed interest securities ▪ Are looking for a less volatile investment but can accept lower returns 	Other Charges	Inclusive of auditor fee & transaction charge

ASSET ALLOCATION OF THE FUND

Bonds/Debentures	Cash
80% - 98%	Up to 20%

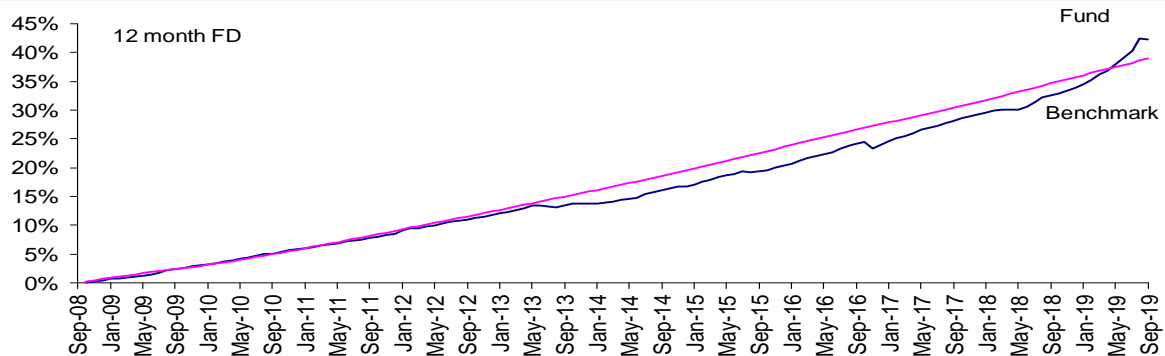
SECTOR ALLOCATION OF THE FUND

Corporate Bond	Government Bond	Short Term Paper	Cash	Total
94.13%	3.48%	-	2.39%	100.00%

TOP HOLDINGS OF THE FUND

Bond Issuer	Coupon	Maturity Date	%	Bond Issuer	Coupon	Maturity Date	%
MMC Corporation Bhd	5.95%	12/11/2027	12.14	GENM Capital Bhd MTN 1826D	4.98%	11/07/2023	5.89
IJM Corp Bhd IMTN	5.05%	18/08/2028	11.90	WCT Holdings Bhd	5.32%	11/05/2022	5.82
Fortune Premiere Sdn Bhd IMTN	4.65%	21/12/2022	11.60	Fortune Premiere Sdn Bhd IMTN	4.85%	7/09/2023	4.64
Sarawak Energy Bhd	5.50%	4/07/2029	6.45	GII Murabahah	4.07%	30/09/2026	3.48
Sabah Development Bank	5.30%	27/04/2023	5.96	Exsim Capital Resources Bhd IMTN	5.00%	28/01/2022	3.42

PERFORMANCE RECORD



%	YTD	1M	3M	6M	1-Year	3-Year	Since Inception
Fund*	6.34	-0.04	2.31	4.53	7.35	14.64	42.33
Benchmark	2.36	0.25	0.75	1.53	3.19	9.75	38.94

* Calculation of past performance is based on NAV-to-NAV

Notice: Past performance of the fund is not an indication of its future performance which may differ. The fund performance is not guaranteed.

FUND MANAGER'S COMMENTS

Market Review

During the month, after the significant tightening seen in August, market decides to pocket in the gain before the FTSE Russell decision. This saw some sell off with parts of the MGS curve traded higher. The worst hit was the longest tenure 30-year as this was also the one that moved the most last month which saw yield went below 4%. This couple with the slew of central banks decision saw the steepening of the MGS curve. The 3-, 5-, 7-, 10-, 15-, 20- and 30-year MGS yields traded 3.14%(-3bps), 3.25%(+1bps), 3.34% (+6bps), 3.36% (+4bps), 3.55% (+6ps), 3.61% (+3bps) and 3.93% (+12bps) respectively at the end of September.

FUND MANAGER'S COMMENTS (CONTINUED)

Outlook & Strategy

Globally, protracted trade tensions between the US and China, sluggish growth in both Europe and Japan coupled with Brexit uncertainty as well as continued unrest in Hong Kong have continued to weigh down global growth. These uncertainties have kept the global government bond yields down. Meanwhile, the domestic bonds took the FTSE Russell news positively as the threat of exclusion from World Government Bond Index ("WGBI") will now be delayed to the next review cycle in March 2020. The MGS curve should remain supported in the near term given strong reinvestment demand from maturities. The next focus would probably be on Malaysia's Budget 2020 given that 2020 will be the last year of the 11th Malaysian Plan. One thing is clear is that the revised fiscal deficit target of 3% for 2020 will not be met. More realistically, most economists see the fiscal deficit to come in at 3.2% in 2020, down from 3.4% in 2019.

On Fixed Income strategy, the September MPC saw BNM maintaining OPR at 3.00% with committee members commenting the current interest rate level remains "accommodative and supportive of economic activity". There are growing talks for BNM to deliver another OPR cut either by end of 2019 or in the first half of 2020 underpinned by external factors and more regional central banks cutting rates. Nevertheless, we still think the long-end government bond curve is rich as it has already priced in more than 25bps of cut. As such, we still advocate of having short-to-medium tenor government bond exposure only for our portfolio. For credit, we will continue on a bottom-up approach to look for value. Issuers with fewer exposures to external trade shocks and strong financial metrics will be preferred. Overall, we still call for a mild overweight duration exposure against benchmark but cautious on exposure on the long-end bonds.

Source : *Principal Asset Management Bhd*

Date : *30 September 2019*

Disclaimer:

The benchmark performance is not a guide to future performances which may differ. The performance of the fund is not guaranteed. The value of the fund will fluctuate and may fall below the amount of premiums paid and the fund value depends on the actual performance of the underlying investment. This material is for information purposes only and is subject to change at any time without notice. Sun Life Malaysia does not guarantee its accuracy, completeness, correctness or timeliness for any purpose or reason. This information should not be considered as advice or recommendation in relation to your account or particular investment objectives, financial situation or needs. You may not revise, transform, or build upon this material without prior written consent of Sun Life Malaysia. Before acting on any information you should seek independent financial advice.